

## Summary of Changes Approved September 2009 through February 2010

This summary lists changes made since the 2009 Annual Update of the *Common Manual* was printed.

Change bars denote the latest policy changes, which were approved February 18, 2010.

Changes made before the 2009 Annual Update was printed are shown in Appendix H of the Manual.

Common Manual Section	Description of Change	Effective Date/Triggering Event	#
<b>Chapter 2: About the FFELP</b>			
<p>2.1.B Types of Loans Available</p> <p>2.2.A Origination</p>	<p>Removes the terms “creditworthy” and “creditworthiness” and replaces them with terminology related to not having adverse credit in the context of an applicant’s or endorser’s eligibility for a PLUS loan. Also removes the term “creditworthiness” and replaces it with “credit standards” in the context of a lender’s independent credit criteria for a Stafford or PLUS applicant. In addition, the text describing existing policy that any debt discharged in bankruptcy during the 5-year period before the date of the credit report must be considered in determining a PLUS applicant’s adverse credit was added to Subsection 7.1.C.</p>	<p>Retroactive to the implementation of the <i>Common Manual</i>.</p>	<p>1144/161</p>
<p>2.3.C Common Forms</p>	<p>States that a lender must submit a completed FFELP Ineligible Borrower and Identity Theft Supplemental form to accompany the FFELP Claim Form to support and provide additional information and documentation necessary to request claim reimbursement for an ineligible borrower discharge or a discharge due to false certification as a result of a crime of identity theft.</p>	<p>Claims filed by the lender on or after January 1, 2010, unless implemented earlier by the lender.</p>	<p>1136/160</p>
<p>2.3.C Common Forms</p>	<p>States that a lender must provide certain electronic signature and disbursement information when filing a total and permanent disability claim that is not based on a determination by the Department of Veterans Affairs (VA). The required information must be submitted via the FFELP Assignment Support Supplemental Form (TPD-Specific worksheet).</p>	<p>Total and permanent disability claims that are not based on a determination by the Department of Veterans Affairs and that are filed by the lender on or after January 1, 2010, unless implemented earlier by the guarantor.</p>	<p>1142/161</p>
<b>Chapter 3: Lender Participation</b>			
<p>3.4.B Loan Assignment, Sale, or Transfer</p>	<p>Incorporates new terminology from the <i>Federal Register</i>, which refers to assignments and transfers of an ownership interest in loans in the context of requiring notifications to the borrower.</p>	<p>Loan transfers of ownership and assignments on or after July 1, 2010, except that the new data elements required in the change notice to the borrower were effective with the implementation of the Higher Education Opportunity Act on August 14, 2008.</p>	<p>1163/165</p>

Common Manual Section	Description of Change	Effective Date/Triggering Event	#
3.4.C Permitted and Prohibited Activities	Permits a lender to provide entrance counseling services. The school's staff must be in control of the counseling, whether in person or via electronic capabilities. The counseling must not promote the products and services of any specific lender.	Entrance counseling provided by a lender on behalf of a school on or after August 14, 2008.	1137/160
3.5.F Reporting Social Security Number, Date of Birth, and First Name Changes or Corrections	Permits a U.S. passport card as an acceptable document to confirm a student's or borrower's citizenship, or to correct a date of birth or first name.	Publication of the 09-10 FSA Handbook, Volume 1, for citizenship verification. June 1, 2009, for correction of a first name change or date of birth.	1148/162
<b>Chapter 4: School Participation</b>			
4.4.B Consumer Information	Expands student consumer information disclosures by requiring a school to describe the terms and conditions of Title IV loans that are available to a student who enrolls at the school.	Student consumer information disclosures provided by a school on or after July 1, 2010.	1164/165
<b>Chapter 5: Borrower Eligibility</b>			
5.2.A Citizenship Data Match	Permits a U.S. passport card as an acceptable document to confirm a student's or borrower's citizenship, or to correct a date of birth or first name.	Publication of the 09-10 FSA Handbook, Volume 1, for citizenship verification. June 1, 2009, for correction of a first name change or date of birth.	1148/162
5.4.A Conditional Discharge of a Prior Loan Due to Total and Permanent Disability Figure 5-1 Effect of Title IV Loan Status on Student Aid Eligibility	<p>States that in addition to current requirements, a borrower whose prior Title IV loan(s) is in a conditional discharge status due to an initial determination that the borrower is totally and permanently disabled must do the following before a school may certify a new Stafford or PLUS loan for the borrower: Submit a request to the Department's Conditional Discharge Disability Unit indicating that the loan(s) that is currently in a conditional discharge status be returned to repayment status and advise the school that the process of returning the conditionally discharged debt to repayment status has been initiated.</p> <p>Revised policy also states that before a school may certify a new loan for a borrower whose prior Title IV loan(s) is in a conditional discharge status due to total and permanent disability, the school must confirm that the borrower has initiated the process to return the conditionally discharged debt to repayment status. The school also must determine whether the status of the loan (default or non-default) will trigger additional requirements before it certifies a new loan for the borrower.</p> <p>Revised policy also states that a school must not deliver any new loan funds until it confirms that the conditionally discharged loan(s) has been returned to repayment status.</p>	New loan requests received by a school on or after August 28, 2009.	1149/162

Common Manual Section	Description of Change	Effective Date/Triggering Event	#
<b>Chapter 6: School Certification</b>			
6.1 Defining an Academic Year	Clarifies that a school must define and document a program's Title IV academic year and, for a credit-hour program, the program's structure (i.e., term-based or non-term-based). Requires a school to use the same academic year definition for all students enrolled in a particular program. Describes a school's ability to define a different academic year for two versions of the same program, and explains the treatment of a student taking courses from separate versions of a program. Updates the glossary definition of "academic year" to include minimum statutory requirements for an academic year in a graduate or professional program.	Publication date of the 95-96 FSA Handbook for the requirement to use the same academic year for all students enrolled in a particular program. Publication date of the 04-05 FSA Handbook for: <ul style="list-style-type: none"> <li>The treatment of a student taking courses from two different versions of a program with different academic year definitions.</li> <li>The treatment of a clock-hour program, including such a program with terms, as non-term-based.</li> </ul>	1159/164
6.2 Determining the Loan Period	Clarifies a school's options for defining the structure of a modular program and the effect of the school's choices on the frequency of annual loan limits, the definition of a payment period, a student's eligibility for additional funds due to a grade level increase within an academic year, the minimum loan period, the scheduling of disbursements, and the delivery of loan funds.	Effective for the delivery of the second disbursement of a Stafford or PLUS loan certified for a single term of a standard term-based program or a program with nonstandard terms that are substantially equal and at least 9 weeks of instructional time in length (SE9W) on or after September 29, 2009, unless implemented earlier by the school.	1157/163
6.3.A Credit-Hour Programs Offered in Modules		Effective with the publication of the October 2005 Blue Book for the definition of "module".	
6.3.B Credit-Hour Programs With Standard Terms or with Nonstandard Terms That Are Substantially Equal in Length		Effective with the publication of the 04-05 Handbook for: <ul style="list-style-type: none"> <li>Defining the structure of a credit-hour program offered in modules.</li> <li>Disbursement scheduling and delivery in a credit-hour program offered in modules, with the exception of the second delivery of a loan made for a single term in a standard term-based program or a program with nonstandard terms that are SE9W.</li> <li>Progressing to the next payment period in a non-term-based credit-hour program offered in modules.</li> <li>The prohibition against making a late first delivery of Stafford or PLUS loan funds to a student enrolled in a term-based credit-hour program offered in modules who withdraws or drops to less-than-half-time enrollment without ever beginning half-time attendance in the term.</li> </ul>	
6.3.C Credit-Hour Programs with Nonstandard Terms That Are Not Substantially Equal in Length		Effective for official and unofficial withdrawal determinations made by the school on or after October 7, 2000, unless implemented earlier by the school on or after November 1, 1999, for the payment period used to calculate the percentage of the period completed for a student who withdraws from a standard term-based program offered in modules.	
6.4.B When Disbursements May Be Scheduled			
Figure 6-3 First Disbursement Timeline			

Common Manual Section	Description of Change	Effective Date/Triggering Event	#
6.4.A Multiple Disbursements and Low Cohort Default Rate Exemptions	Consistently states that delayed delivery and multiple disbursement exemptions are based on <i>official</i> cohort default rates. Incorporates text that explains when a school may begin certifying loans based upon these exemptions. Clarifies existing policy about when a school must cease certifying loans based on the exemptions when the school's cohort default rate(s) no longer qualifies the school for an exemption.	Disbursements made on or after February 8, 2006, for the multiple disbursement and delayed delivery exemptions at a school with an official cohort default rate of less than 10% for the three most recent fiscal years.  Disbursements received by the school on or after October 1, 1998, for the multiple disbursement and delayed delivery exemptions for a student enrolled in a study-abroad program at a school with an official cohort default rate of less than 5% for the most recent fiscal year.	1160/164
6.7 Determining the Amount of Estimated Financial Assistance (EFA)	Excludes all federal veterans' education benefits from estimated financial assistance (EFA) for determining eligibility for a Stafford or PLUS loan. Revised policy provides an updated list of federal veterans' education benefits that are excluded.	July 1, 2009	1138/160
6.11.A Stafford Annual Loan Limits 6.11.D Increased Unsubsidized Stafford Loan Limits for Health Profession Students	Deletes reference to the bachelor of pharmacology and graduate of allied health programs as those for which an enrolled student may receive increased unsubsidized Stafford loan limits available to health profession students.	For deletion of the bachelor of pharmacology program, publication date of the 07-08 FSA Handbook.  For deletion of the graduate of allied health program, publication date of the 00-01 FSA Handbook.	1145/161
Figure 6-4 Stafford Annual and Aggregate Loan Limits for Undergraduate Students	Corrects Figure 6-4 to indicate that proration is "not applicable" to the base Stafford annual loan limit for a student enrolled in a period of teacher certification coursework or graduate preparatory coursework that is less than an academic year in length.	Publication date of Volume 8 of the 02-03 FSA Handbook.	1152/162
6.11.D Increased Unsubsidized Stafford Loan Limits for Health Profession Students	Deletes the reference to a student receiving a Health Education Assistance Loan Program (HEAL) loan for any portion of the same loan period as the increased unsubsidized Stafford annual loan limit available to a health profession student.	October 1, 1998	1139/160
6.11.D Increased Unsubsidized Stafford Loan Limits for Health Profession Students	Clarifies that for an academic year that meets the Title IV academic year requirements but that is shorter than 9 months in length, the school is not required to prorate a loan certified for a health profession student, but may certify the full 9-month limit if the student is otherwise eligible. Provides a formula to determine the loan limit for an academic year that is 10 or 11 months in length.	Loans certified by the school for eligible students in certain eligible health professions programs on or after July 1, 1996.	1165/165
6.11.E Exceeding Loan Limits	Clarifies that even after a school documents that a Stafford borrower who inadvertently exceeded an annual or aggregate loan limit has taken one of the necessary actions to regain Title IV eligibility, the borrower may not be eligible to receive additional Stafford loan funds, depending on the circumstances, and provides examples.	Retroactive to the implementation of the <i>Common Manual</i> .	1153/162

Common Manual Section	Description of Change	Effective Date/Triggering Event	#
6.11.F Prorated Loan Limits	Provides an illustrative chart outlining the process for when and how a school must calculate prorated undergraduate Stafford annual loan limits.	Not Applicable.	1155/162
6.15 School Certification of the Loan	<p>States that in addition to current requirements, a borrower whose prior Title IV loan(s) is in a conditional discharge status due to an initial determination that the borrower is totally and permanently disabled must do the following before a school may certify a new Stafford or PLUS loan for the borrower: Submit a request to the Department's Conditional Discharge Disability Unit indicating that the loan(s) that is currently in a conditional discharge status be returned to repayment status and advise the school that the process of returning the conditionally discharged debt to repayment status has been initiated.</p> <p>Revised policy also states that before a school may certify a new loan for a borrower whose prior Title IV loan(s) is in a conditional discharge status due to total and permanent disability, the school must confirm that the borrower has initiated the process to return the conditionally discharged debt to repayment status. The school also must determine whether the status of the loan (default or non-default) will trigger additional requirements before it certifies a new loan for the borrower.</p> <p>Revised policy also states that a school must not deliver any new loan funds until it confirms that the conditionally discharged loan(s) has been returned to repayment status.</p>	New loan requests received by a school on or after August 28, 2009.	1149/162
6.15.D Additional Unsubsidized Stafford Loan Certification for a Dependent Student	Clarifies that if a parent is approved for a PLUS loan, the student is not eligible for the additional unsubsidized Stafford loan funds available to an independent student.	Publication date of Volume 3 of the 06-07 FSA Handbook, unless implemented earlier by the guarantor.	1150/162
6.16 Applying for Federal Stafford and PLUS Loans	Removes the terms "creditworthy" and "creditworthiness" and replaces them with terminology related to not having adverse credit in the context of an applicant's or endorser's eligibility for a PLUS loan. Also removes the term "creditworthiness" and replaces it with "credit standards" in the context of a lender's independent credit criteria for a Stafford or PLUS applicant. In addition, the text describing existing policy that any debt discharged in bankruptcy during the 5-year period before the date of the credit report must be considered in determining a PLUS applicant's adverse credit was added to Subsection 7.1.C.	Retroactive to the implementation of the <i>Common Manual</i> .	1144/161

Common Manual Section	Description of Change	Effective Date/Triggering Event	#
<b>Chapter 7: Loan Origination</b>			
7.1.A General Determinations	Removes the terms “creditworthy” and “creditworthiness” and replaces them with terminology related to not having adverse credit in the context of an applicant’s or endorser’s eligibility for a PLUS loan. Also removes the term “creditworthiness” and replaces it with “credit standards” in the context of a lender’s independent credit criteria for a Stafford or PLUS applicant. In addition, the text describing existing policy that any debt discharged in bankruptcy during the 5-year period before the date of the credit report must be considered in determining a PLUS applicant’s adverse credit was added to Subsection 7.1.C.	Retroactive to the implementation of the <i>Common Manual</i> .	1144/161
7.1.B Creditworthiness			
7.1.C Effect of Bankruptcy on Creditworthiness			
7.2.A Lender Responsibilities under a Master Promissory Note			
<b>Chapter 8: Loan Delivery</b>			
8.2.C School’s Notice of Credit to Student’s Account	Clarifies that a school must honor a borrower’s cancellation request when that request is received within certain time frames after the school sends a notice advising the borrower of the right to cancel the loan. Notice of the right to cancel the loan is part of the notice of credit to the student’s account.	Loans disbursed on or after July 1, 2008, unless implemented earlier by the school on or after November 1, 2007.	1154/162
8.2.D School’s Notice of Borrower’s Right to Cancel Loan Disbursed by EFT or Master Check			
8.7 Delivering Loan Funds at Eligible Schools	<p>States that in addition to current requirements, a borrower whose prior Title IV loan(s) is in a conditional discharge status due to an initial determination that the borrower is totally and permanently disabled must do the following before a school may certify a new Stafford or PLUS loan for the borrower: Submit a request to the Department’s Conditional Discharge Disability Unit indicating that the loan(s) that is currently in a conditional discharge status be returned to repayment status and advise the school that the process of returning the conditionally discharged debt to repayment status has been initiated.</p> <p>Revised policy also states that before a school may certify a new loan for a borrower whose prior Title IV loan(s) is in a conditional discharge status due to total and permanent disability, the school must confirm that the borrower has initiated the process to return the conditionally discharged debt to repayment status. The school also must determine whether the status of the loan (default or non-default) will trigger additional requirements before it certifies a new loan for the borrower.</p> <p>Revised policy also states that a school must not deliver any new loan funds until it confirms that the conditionally discharged loan(s) has been returned to repayment status.</p>	New loan requests received by a school on or after August 28, 2009.	1149/162

Common Manual Section	Description of Change	Effective Date/Triggering Event	#
<p>8.7.B Delivering Second and Subsequent Disbursements</p> <p>8.7.C Early Delivery</p> <p>8.7.E Late Delivery</p> <p>8.7.F Delivery in Credit-Hour Programs Offered in Modules</p> <p>8.7.G Delivery to Borrowers in Special Circumstances</p> <p>Figure 8-4 Earliest Disbursement and Delivery Dates</p>	<p>Clarifies a school's options for defining the structure of a modular program and the effect of the school's choices on the frequency of annual loan limits, the definition of a payment period, a student's eligibility for additional funds due to a grade level increase within an academic year, the minimum loan period, the scheduling of disbursements, and the delivery of loan funds.</p>	<p>Effective for the delivery of the second disbursement of a Stafford or PLUS loan certified for a single term of a standard term-based program or a program with nonstandard terms that are substantially equal and at least 9 weeks of instructional time in length (SE9W) on or after September 29, 2009, unless implemented earlier by the school.</p> <p>Effective with the publication of the October 2005 Blue Book for the definition of "module".</p> <p>Effective with the publication of the 04-05 Handbook for:</p> <ul style="list-style-type: none"> <li>• Defining the structure of a credit-hour program offered in modules.</li> <li>• Disbursement scheduling and delivery in a credit-hour program offered in modules, with the exception of the second delivery of a loan made for a single term in a standard term-based program or a program with nonstandard terms that are SE9W.</li> <li>• Progressing to the next payment period in a non-term-based credit-hour program offered in modules.</li> <li>• The prohibition against making a late first delivery of Stafford or PLUS loan funds to a student enrolled in a term-based credit-hour program offered in modules who withdraws or drops to less-than-half-time enrollment without ever beginning half-time attendance in the term.</li> </ul>	1157/163
8.7.D Delayed Delivery	<p>Consistently states that delayed delivery and multiple disbursement exemptions are based on <i>official</i> cohort default rates. Incorporates text that explains when a school may begin certifying loans based upon these exemptions. Clarifies existing policy about when a school must cease certifying loans based on the exemptions when the school's cohort default rate(s) no longer qualifies the school for an exemption.</p>	<p>Disbursements made on or after February 8, 2006, for the multiple disbursement and delayed delivery exemptions at a school with an official cohort default rate of less than 10% for the three most recent fiscal years.</p> <p>Disbursements received by the school on or after October 1, 1998, for the multiple disbursement and delayed delivery exemptions for a student enrolled in a study-abroad program at a school with an official cohort default rate of less than 5% for the most recent fiscal year.</p>	1160/164

Common Manual Section	Description of Change	Effective Date/Triggering Event	#
8.7.I Delivery Methods	Moves existing text addressing the crediting of the student's account so that the text is consolidated at the beginning of the subsection. Reorganizes text to separate the concepts of releasing or mailing a loan check to the borrower, issuing a school check to the borrower, initiating an EFT transaction to a bank account designated by the borrower, issuing a stored-value card, and dispensing cash to the borrower under direct delivery to a borrower.	Upon approval by the <i>Common Manual</i> Governing Board.	1167/165
8.8.A Timeframes for Paying Credit Balances	Incorporates information from Subsection 8.7.H, into a new Subsection, 8.8.B, on the paying of credit balances. This new subsection details the methods for school to use when paying credit balances to borrowers.	Effective for schools opening bank accounts or issuing stored-value cards to pay credit balances to a student or parent borrower on or after July 1, 2008, unless implemented earlier on or after November 1, 2007.	1166/165
8.8.B How to Pay Credit Balances			
8.8.C Holding Credit Balances			
8.8.D Treatment of a Title IV Credit Balance When a Student Withdraws			
8.8.E Treatment of a Title IV Credit Balance When a Student Dies			
<b>Chapter 9: School Reporting Responsibilities and the Return of Title IV Funds</b>			
9.1 Reporting Social Security Number, Date of Birth, and First Name Changes or Corrections	States that when the school becomes aware of a discrepancy with a student's or parent borrower's Social Security Number (SSN), date of birth, or first name, the school must attempt to obtain documentation of the correct SSN, date of birth, or first name. The school must notify the guarantor of any change made to the SSN, date of birth, or first name as a result of obtaining documentation, and must notify the lender of any change to the SSN. Revised policy also states that if the school is unable to obtain a copy of an acceptable source document to resolve the discrepancy of an SSN, it must notify both the lender and guarantor. The school must also instruct the lender to cease disbursement, and the school may not deliver FFELP funds to the student until the school determines the correct SSN.	July 1, 1996	1140/160
9.1 Reporting Social Security Number, Date of Birth, and First Name Changes or Corrections	Permits a U.S. passport card as an acceptable document to confirm a student's or borrower's citizenship, or to correct a date of birth or first name.	Publication of the 09-10 FSA Handbook, Volume 1, for citizenship verification. June 1, 2009, for correction of a first name change or date of birth.	1148/162



Common Manual Section	Description of Change	Effective Date/Triggering Event	#
<p>9.4 Withdrawal Dates</p> <p>9.5.A Return Amounts for Title IV Grant and Loan Programs</p>	<p>Clarifies a school's options for defining the structure of a modular program and the effect of the school's choices on the frequency of annual loan limits, the definition of a payment period, a student's eligibility for additional funds due to a grade level increase within an academic year, the minimum loan period, the scheduling of disbursements, and the delivery of loan funds.</p>	<p>Effective for the delivery of the second disbursement of a Stafford or PLUS loan certified for a single term of a standard term-based program or a program with nonstandard terms that are substantially equal and at least 9 weeks of instructional time in length (SE9W) on or after September 29, 2009, unless implemented earlier by the school.</p> <p>Effective with the publication of the October 2005 Blue Book for the definition of "module".</p> <p>Effective with the publication of the 04-05 Handbook for:</p> <ul style="list-style-type: none"> <li>• Defining the structure of a credit-hour program offered in modules.</li> <li>• Disbursement scheduling and delivery in a credit-hour program offered in modules, with the exception of the second delivery of a loan made for a single term in a standard term-based program or a program with nonstandard terms that are SE9W.</li> <li>• Progressing to the next payment period in a non-term-based credit-hour program offered in modules.</li> <li>• The prohibition against making a late first delivery of Stafford or PLUS loan funds to a student enrolled in a term-based credit-hour program offered in modules who withdraws or drops to less-than-half-time enrollment without ever beginning half-time attendance in the term.</li> </ul> <p>Effective for official and unofficial withdrawal determinations made by the school on or after October 7, 2000, unless implemented earlier by the school on or after November 1, 1999, for the payment period used to calculate the percentage of the period completed for a student who withdraws from a standard term-based program offered in modules.</p>	1157/163
<b>Chapter 10: Loan Servicing</b>			
<p>10.8.D Income-Based Repayment Schedule</p>	<p>States that for purposes of determining whether a borrower has a partial financial hardship (PFH) under IBR, the borrower may provide the lender with either a signed copy of the page(s) of the borrower's most recent federal income tax return that contains the borrower's adjusted gross income (AGI), or the tax transcript information from the Internal Revenue Service (IRS) that contains the AGI and other tax return information. The policy further explains that to obtain a tax transcript from the IRS, the borrower may either submit a signed consent form (IRS Form 4506-T) directly to the lender (which will then forward it to the IRS), or the borrower may submit the 4506-T form directly to the IRS and request that the information be sent directly to either the lender or the borrower.</p>	<p>Income-based repayment (IBR) plan requests received by the lender on or after July 1, 2009.</p>	1143/161

Common Manual Section	Description of Change	Effective Date/Triggering Event	#
<b>Chapter 11: Deferment and Forbearance</b>			
Figure 11-1 Deferment Eligibility Chart	Incorporates into the Deferment Eligibility Chart, Figure 11-1, the new in-school and post-enrollment deferment options for parent PLUS and Grad PLUS borrowers whose loans were first disbursed on or after July 1, 2008.	PLUS loans first disbursed on or after July 1, 2008.	1151/162
11.24.B Internship or Residency	States that the eligibility criteria for internship or residency deferment apply also to the mandatory administrative forbearance for internship or residency, except that the borrower does not need to be a new borrower before July 1, 1993, to qualify for the forbearance.	Retroactive to the implementation of the <i>Common Manual</i> .	1161/164
<b>Chapter 13: Claim Filing, Discharge, and Forgiveness</b>			
13.1.D Claim File Documentation	Requires a lender to provide to the guarantor documentation supporting the granting of a reduced interest rate under the Servicemembers Civil Relief Act if, at the time the lender files a claim with the guarantor, the borrower, comaker, or endorser is receiving this benefit. This documentation includes the borrower's written request for the reduced interest rate and the applicable military orders.	Claims filed by the lender on or after January 1, 2010, unless implemented earlier by the lender.	1135/160
13.1.D Claim File Documentation	States that a lender must submit a completed FFELP Ineligible Borrower and Identity Theft Supplemental form to accompany the FFELP Claim Form to support and provide additional information and documentation necessary to request claim reimbursement for an ineligible borrower discharge or a discharge due to false certification as a result of a crime of identity theft.	Claims filed by the lender on or after January 1, 2010, unless implemented earlier by the lender.	1136/160
13.1.D Claim File Documentation	States that a lender must provide certain electronic signature and disbursement information when filing a total and permanent disability claim that is not based on a determination by the Department of Veterans Affairs (VA). The required information must be submitted via the FFELP Assignment Support Supplemental Form (TPD-Specific worksheet).	Total and permanent disability claims that are not based on a determination by the Department of Veterans Affairs and that are filed by the lender on or after January 1, 2010, unless implemented earlier by the guarantor.	1142/161
13.6.A Default Claims	Provides instruction for a lender in a case when, after filing a default claim, the lender receives documentation that the loan(s) qualifies for a different type of claim payment.	Requests for unpaid refund loan discharge received by the lender on or after July 1, 2000. Requests for false certification loan discharge as a result of the crime of identity theft received by the lender on or after July 1, 2006. Requests for loan discharge for a spouse or parent of a victim of the September 11, 2001, terrorist attacks received by the lender on or after October 29, 2007.	1156/163

Common Manual Section	Description of Change	Effective Date/Triggering Event	#
13.8.G Total and Permanent Disability	<p>States that in addition to current requirements, a borrower whose prior Title IV loan(s) is in a conditional discharge status due to an initial determination that the borrower is totally and permanently disabled must do the following before a school may certify a new Stafford or PLUS loan for the borrower: Submit a request to the Department's Conditional Discharge Disability Unit indicating that the loan(s) that is currently in a conditional discharge status be returned to repayment status and advise the school that the process of returning the conditionally discharged debt to repayment status has been initiated.</p> <p>Revised policy also states that before a school may certify a new loan for a borrower whose prior Title IV loan(s) is in a conditional discharge status due to total and permanent disability, the school must confirm that the borrower has initiated the process to return the conditionally discharged debt to repayment status. The school also must determine whether the status of the loan (default or non-default) will trigger additional requirements before it certifies a new loan for the borrower.</p> <p>Revised policy also states that a school must not deliver any new loan funds until it confirms that the conditionally discharged loan(s) has been returned to repayment status.</p>	New loan requests received by a school on or after August 28, 2009.	1149/162
<b>Chapter 15: Federal Consolidation Loans</b>			
15.3.C Reviewing the Loan Verification Certificate	States that a joint Consolidation loan cannot be reconsolidated under either the FFELP or the Direct Loan Program. Revised policy also specifies that an existing single Federal Consolidation loan may be reconsolidated under the Direct Loan Program without adding other eligible loans under certain situations listed in Section 15.2.	Loan verification certificates received by the lender on or after August 14, 2008.	1141/160
<b>Appendix A: Interest Benefits and Special Allowance</b>			
A.2.B Termination of Special Allowance	Moves to the history appendix outdated references regarding the termination of special allowance on unconsummated loans with first disbursement dates prior to October 1, 1992.	Upon approval by the <i>Common Manual</i> Governing Board.	1162/164

Common Manual Section	Description of Change	Effective Date/Triggering Event	#
<b>Appendix G: Glossary</b>			
Academic Year	Clarifies that a school must define and document a program's Title IV academic year and, for a credit-hour program, the program's structure (i.e., term-based or non-term-based). Requires a school to use the same academic year definition for all students enrolled in a particular program. Describes a school's ability to define a different academic year for two versions of the same program, and explains the treatment of a student taking courses from separate versions of a program. Updates the glossary definition of "academic year" to include minimum statutory requirements for an academic year in a graduate or professional program.	Publication date of the 95-96 FSA Handbook for the requirement to use the same academic year for all students enrolled in a particular program. Publication date of the 04-05 FSA Handbook for: <ul style="list-style-type: none"> <li>The treatment of a student taking courses from two different versions of a program with different academic year definitions.</li> <li>The treatment of a clock-hour program, including such a program with terms, as non-term-based.</li> </ul>	1159/164
Additional Unsubsidized Stafford Loan	Aligns the definition of "Additional Unsubsidized Stafford Loan" with the loan limits in Subsection 6.11.A and Figure 6-4.	Stafford loans first disbursed on or after July 1, 2008, for loan periods that include or begin on or after July 1, 2008.	1147/161
Endorser	Removes the terms "creditworthy" and "creditworthiness" and replaces them with terminology related to not having adverse credit in the context of an applicant's or endorser's eligibility for a PLUS loan. Also removes the term "creditworthiness" and replaces it with "credit standards" in the context of a lender's independent credit criteria for a Stafford or PLUS applicant. In addition, the text describing existing policy that any debt discharged in bankruptcy during the 5-year period before the date of the credit report must be considered in determining a PLUS applicant's adverse credit was added to Subsection 7.1.C.	Retroactive to the implementation of the <i>Common Manual</i> .	1144/161
Estimated Financial Assistance (EFA)	Excludes all federal veterans' education benefits from estimated financial assistance (EFA) for determining eligibility for a Stafford or PLUS loan. Revised policy provides an updated list of federal veterans' education benefits that are excluded.	July 1, 2009	1138/160

Common Manual Section	Description of Change	Effective Date/Triggering Event	#
Module	Clarifies a school's options for defining the structure of a modular program and the effect of the school's choices on the frequency of annual loan limits, the definition of a payment period, a student's eligibility for additional funds due to a grade level increase within an academic year, the minimum loan period, the scheduling of disbursements, and the delivery of loan funds.	<p>Effective for the delivery of the second disbursement of a Stafford or PLUS loan certified for a single term of a standard term-based program or a program with nonstandard terms that are substantially equal and at least 9 weeks of instructional time in length (SE9W) on or after September 29, 2009, unless implemented earlier by the school.</p> <p>Effective with the publication of the October 2005 Blue Book for the definition of "module".</p> <p>Effective with the publication of the 04-05 Handbook for:</p> <ul style="list-style-type: none"> <li>• Defining the structure of a credit-hour program offered in modules.</li> <li>• Disbursement scheduling and delivery in a credit-hour program offered in modules, with the exception of the second delivery of a loan made for a single term in a standard term-based program or a program with nonstandard terms that are SE9W.</li> <li>• Progressing to the next payment period in a non-term-based credit-hour program offered in modules.</li> <li>• The prohibition against making a late first delivery of Stafford or PLUS loan funds to a student enrolled in a term-based credit-hour program offered in modules who withdraws or drops to less-than-half-time enrollment without ever beginning half-time attendance in the term.</li> </ul> <p>Effective for official and unofficial withdrawal determinations made by the school on or after October 7, 2000, unless implemented earlier by the school on or after November 1, 1999, for the payment period used to calculate the percentage of the period completed for a student who withdraws from a standard term-based program offered in modules.</p>	1157/163
<b>Appendix H: History of the FFELP and the <i>Common Manual</i></b>			
H.1 History of the FFELP and the <i>Common Manual</i>	Moves to the history appendix outdated references regarding the termination of special allowance on unconsummated loans with first disbursement dates prior to October 1, 1992.	Upon approval by the <i>Common Manual</i> Governing Board.	1162/164

Common Manual Section	Description of Change	Effective Date/Triggering Event	#
H.1 History of the FFELP and the Common Manual	Removes the terms “creditworthy” and “creditworthiness” and replaces them with terminology related to not having adverse credit in the context of an applicant’s or endorser’s eligibility for a PLUS loan. Also removes the term “creditworthiness” and replaces it with “credit standards” in the context of a lender’s independent credit criteria for a Stafford or PLUS applicant. In addition, the text describing existing policy that any debt discharged in bankruptcy during the 5-year period before the date of the credit report must be considered in determining a PLUS applicant’s adverse credit was added to Subsection 7.1.C.	Retroactive to the implementation of the <i>Common Manual</i> .	1144/161

Both the buying and selling holders must notify the borrower—either jointly or separately—of a loan’s assignment, ~~sale~~, or the transfer of an ownership interest in the loan. This notification must include the following information:

[§682.208(e)(1)(i)]

- The identity of the buying lender and/or the new servicer.  
[§682.208(e)(1)(ii)]
- The address to which the borrower’s subsequent payments and communications should be sent.  
[§682.208(e)(1)(iii)]
- The telephone numbers of both the buying and selling lenders—or, if either lender utilizes a servicer, the telephone number of each servicer.  
[§682.208(e)(1)(iv)]
- The effective date of the loan’s assignment, ~~sale~~, or the transfer of an ownership interest in the loan.  
[HEA §428(b)(2)(F)(i)(V); §682.208(e)(1)(v)]
- The date on which the current holder or servicer will stop accepting payments, if applicable, and the date on which the new holder or servicer will begin accepting payments.  
[HEA §428(b)(2)(F)(i)(VI) and (VII); §682.208(e)(1)(vi) and (vii)]

~~Both~~ Each holders must send the preceding information to the borrower within 45 days after the assignment or transfer of ownership interest ~~sale~~ is legally completed. If each holder provides a separate notification to ~~a~~ the borrower, each must include in its notification notice a statement that the other holder will be sending a similar notification notice under separate cover.

[§682.208(e)(1) and (2)]<sup>1</sup>

### Loan Transfer

In some cases—such as a servicer transfer or branch transfer—a FFELP loan that is in grace or in repayment is not assigned or sold, but there is a change in the identity of the party to whom the borrower must send subsequent payments or communications. If this occurs, the loan holder must notify the borrower that the loan has been transferred and must provide the following information:

- The name of the new servicer, if applicable.

- The telephone number and address of the servicer or branch to which the borrower’s subsequent payments or communications should be sent.

The lender must send the preceding information to the borrower within 45 days after the transfer is completed.

[§682.208(h)]

### Documentation Requirements

Although guarantors do not require that a copy of the notice of loan sale or transfer be included in a claim file, the lender must be able to provide evidence that the notice was provided to the borrower. For this reason, the lender must retain a record of the notice for at least 3 years after the date the loan is paid in full by the borrower or 5 years after the date the lender receives payment in full from any other source. This record may be stored on microform, optical disk, or other machine-readable format, and must be available for program compliance reviews.

[§682.414(a)(4)(ii)(H) and (iii); §682.414(a)(5)(i)]

## 3.4.C Permitted and Prohibited Activities

### Permitted Activities

A lender is permitted to engage in the following activities in carrying out its role in the FFELP and providing service to schools and FFELP borrowers. The lender may provide:

- Technical assistance to a school that is comparable to the kinds of technical assistance provided to a school by the Department under the Federal Direct Loan Program, as identified by the Department in public announcements, such as a notice in the *Federal Register*.  
[HEA §435(d)(5); §682.200(b) definition of *lender* (5)(ii)(A)]
- Entrance and Exit counseling services, as long as the school’s staff is in control of the counseling, whether in person or via electronic capabilities, and such counseling does not promote the products and services of any specific lender.  
[HEA §435(d)(5)(~~G~~)(E) and (F)]<sup>2</sup>
- Support of, and participation in, a school’s or guarantor’s student aid or financial literacy-related outreach activities, as long as the name of the entity

<sup>1</sup> Policy 1163 (Batch 165), approved February 18, 2010

<sup>2</sup> Policy 1137 (Batch 160), approved September 17, 2009

- The terms and conditions of any FFELP, FDLP, or Perkins loan(s) that is available to a student who enrolls at the school. See information included under the subheading “Student Rights and Responsibilities” later in this subsection for additional information that must be disclosed to a student who receives a FFELP, FDLP, or Perkins loan as part of a financial aid package.  
[HEA §485(a)(1)(M); §668.42(a)(4)]
- The criteria used by the school to select financial aid recipients from the group of eligible applicants.  
[§668.42(b)(3)]
- The criteria used in determining the amount of a student’s award.  
[§668.42(b)(4)]
- The terms and conditions of any ~~Federal~~ FFELP, FDLP, or Perkins loan(s) a student receives as part of a financial aid package and a sample loan ~~repayment schedule~~. Loan terms that ~~should will~~ be disclosed include the interest rate, the total amount that must be repaid, the requirements on when repayment must begin, and the length of time allotted for repayment. The necessity of repaying the loan ~~should must~~ be emphasized. Additional information ~~must shall~~ be provided during **entrance** and **exit counseling** sessions.  
[HEA §485(a)(1)(M); §668.42(c)(4) and (6)]
- The general conditions and terms applicable to any employment provided to a student as part of the student’s financial aid package (for students receiving aid under the **Federal Work-Study Program**).  
[§668.42(c)(5)]

*Funding Education Beyond High School: The Guide to Federal Student Aid*, a free booklet published by the Department, provides schools with an excellent source of material for developing descriptions of Title IV programs. A school may obtain copies by calling (800) 4-FED-AID or by mailing a request to:

Federal Student Financial Aid Information Center  
Federal Student Aid  
P.O. Box 84  
Washington, DC 20044

### Student Rights and Responsibilities

A school’s student consumer information must include a description of student rights and responsibilities specifically addressing financial aid under the Title IV programs. This description must include, but is not limited to, the following:

- The criteria for continued student eligibility under each program.  
[§668.42(c)(1)]
- The standards by which the school determines, for the purpose of awarding financial assistance, whether a student is making **satisfactory academic progress (SAP)**, and the criteria that must be met by a student who has failed to maintain SAP to reestablish eligibility for assistance.  
[§668.42(c)(2)(i) and (ii)]
- Information on how and when a student will receive financial aid payments.  
[§668.42(c)(3)]

To assist schools in meeting the student consumer information requirements, each MPN includes detailed information on the terms of the borrower’s loan. By signing the **Federal PLUS Loan Application and Master Promissory Note (PLUS MPN)** or the **Federal Stafford Loan Master Promissory Note (Stafford MPN)**, the borrower certifies that he or she has read the information and understands the terms of the loan, including the rights and responsibilities related to that loan. ~~To ensure that this information is adequately communicated to the prospective student or borrower, the guarantor recommends that the information be summarized in the school’s student consumer information.~~<sup>1</sup>

### Additional Student Consumer Information

Upon request, a school must make readily available to **enrolled** and prospective students information regarding the school and its administration and academic standards. Information about the school must include, but is not limited to, the following:

- The cost of attending the school, including:
  - Tuition and fees charged to full-time and part-time students.  
[§668.43(a)(1)(i)]
  - Estimated costs for necessary books and supplies.  
[§668.43(a)(1)(ii)]
  - Estimates of typical costs for room and board.  
[§668.43(a)(1)(iii)]

<sup>1</sup>. Policy 1164 (Batch 165), approved February 18, 2010



- Master's or Doctoral Degree in Health Administration
- Doctor of Pharmacy
- Doctor of Chiropractic
- Doctoral Degree in Clinical Psychology

- \$20,000 for a 9-month academic year, not to exceed \$26,667 for a 12-month academic year, for students enrolled in one of the following doctoral programs in allopathic medicine, osteopathic medicine, dentistry, veterinary medicine, optometry, podiatric medicine, and naturopathic medicine:

- Doctor of Allopathic Medicine
- Doctor of Osteopathic Medicine
- Doctor of Dentistry
- Doctor of Veterinary Medicine
- Doctor of Optometry
- Doctor of Podiatric Medicine
- Doctor of Naturopathic Medicine
- Doctor of Naturopathy

[08-09 FSA Handbook, Volume 3, Chapter 5, p. 3-112]<sup>1</sup>

For an academic year that meets the requirements of a Title IV academic year (see [Subsection 6.1.A](#)) but is shorter than 9 months in length, the school is not required to prorate the loan but may instead certify the full 9-month limit if the student is otherwise eligible. For an academic year that is 10 or 11 months in length, the school must divide the applicable 9-month loan limit by 9 and multiply that amount by the number of months in the student's academic year.

Schools must follow applicable HEAL proration requirements and other HEAL program restrictions when certifying awarding students increased unsubsidized Stafford loans, except that the HEAL program needs test is not required for increased unsubsidized Stafford loan limits.

[09-10 FSA Handbook, Volume 3, Chapter 6, pp. 3-100 to 3-112]

[08-09 FSA Handbook, Volume 3, Chapter 5, p. 3-110]<sup>2</sup>

### Special Stafford Aggregate Loan Limits

Graduate and professional health profession students who are eligible for increased unsubsidized Stafford loans are eligible to borrow a combined subsidized and unsubsidized

Stafford aggregate loan amount of up to \$224,000 (including all SLS and Direct Stafford loans received or any portion of an outstanding Consolidation loan that fully repaid such loans). Subsidized Stafford loans may comprise no more than \$65,500 of this amount. If a student is ineligible for subsidized Stafford loan funds, the student may borrow the \$224,000 aggregate loan limit in unsubsidized Stafford loan funds.

[DCL GEN-99-21; DCL GEN-99-7; DCL GEN-98-18; DCL GEN-97-14; DCL GEN-97-4; DCL GEN-96-14]

~~Undergraduate 5-year Bachelor of Pharmacology students may receive an aggregate amount of \$70,625 (including all SLS and Direct Stafford loans received or any portion of an outstanding Consolidation loan that fully repaid such loans). Subsidized Stafford loans may comprise no more than \$23,000 of this amount. If a student is ineligible for subsidized Stafford loan funds, the student may borrow the entire \$70,625 aggregate loan limit in unsubsidized Stafford loan funds.~~

~~[DCL GEN 99 21; GEN 99 7; GEN 98 18; GEN 97 14; GEN 97 4; GEN 96 14]<sup>3</sup>~~

## 6.11.E Exceeding Loan Limits

A Stafford or PLUS loan amount must never exceed the maximum amount the borrower is eligible to receive or the amount the borrower requested, whichever is less. A loan disbursed in excess of the lesser of these two amounts may lose its guarantee and eligibility for interest benefits and/or special allowance payments. A PLUS loan may not exceed the cost of attendance (COA) minus estimated financial assistance (EFA), but otherwise is not limited. See [Subsections 6.11.A](#) and [6.11.B](#) for more information regarding Stafford loan limits.

[§682.204(h); §682.401(b); §682.603(e)]

<sup>1</sup>. Policy 1145 (Batch 161), approved October 15, 2009

<sup>2</sup>. Policy 1165 (Batch 165), approved February 18, 2010

<sup>3</sup>. Policy 1145 (Batch 161), approved October 15, 2009

## 8.7.G Delivery to Transfer Students

## 8.7.H Delivery to Transfer Students<sup>1</sup>

A Stafford or PLUS loan may be used only to cover the **cost of attendance (COA)** at the school that certifies the borrower's eligibility for the loan. If a student transfers between schools, both the student's COA and **estimated financial assistance (EFA)** may change substantially at the new school, and the change could affect the borrower's eligibility for the loan. Under these circumstances, unless the borrower is eligible for a **late disbursement** or a **post-withdrawal disbursement**, neither the student nor the parent borrower is eligible to receive the undisbursed loan funds that were guaranteed for the student's attendance at the previous school. The student or parent borrower seeking additional Stafford or PLUS loan funds must reapply at the new school. For information on post-withdrawal disbursements, see [Subsection 9.5.A](#). For information on late disbursements, see [Subsection 7.7.G](#).

The school may not deliver Stafford or PLUS loan proceeds to a student or parent of a student who previously attended another eligible school until the school the student is attending determines, from information obtained through the **National Student Loan Data System (NSLDS)** or its successor system, all of the following:

- The student is not in **default** on any Title IV program loan. [[§668.19\(a\)\(1\)](#)]
- The student does not owe an overpayment on any Title IV program grant or **Federal Perkins loan**. [[§668.19\(a\)\(2\)](#)]
- For the **award year** for which a Federal **Pell grant**, an **Academic Competitiveness grant (ACG)**, and/or a **National SMART grant** is requested, the student's scheduled Federal Pell grant, ACG, and/or National SMART grant award and the amount of any Pell grant, ACG, and/or National SMART grant funds already delivered to the student. [[§668.19\(a\)\(3\)](#)]
- The outstanding **principal balance** of loans made to the student under each of the Title IV loan programs. [[§668.19\(a\)\(4\)](#)]

- The amount of, and **loan period** for, loans made to the student under each of the Title IV loan programs for the **academic year** for which Title IV aid is requested. [[§668.19\(a\)\(5\)](#)]

For a student who transfers from one school to another during the same **award year** (i.e., a current-year transfer student), the school to which the student transfers must request or access from the NSLDS updated information about that student in order to determine the student's eligibility for Stafford or PLUS loan proceeds. The school must wait for 7 days following its request to the NSLDS. However, if, before the end of the 7-day period, the school receives the information from the NSLDS in response to its request or obtains that information itself by directly accessing the NSLDS, the school may deliver the loan proceeds as long as the student is otherwise eligible. A school is not required to respond to a request for a paper **financial aid transcript**. [[§668.19\(b\)\(1\)](#) and (2)]

## 8.7.H Delivery Methods

### 8.7.I Delivery Methods<sup>2</sup>

A school may deliver loan proceeds using any of the following methods:

- Crediting the proceeds to the student's account at the school. [[§668.164\(d\)](#)]
- Paying the student or parent borrower directly.

#### Crediting the Student's Account

A school may credit a student's account with Title IV funds to satisfy the following charges without obtaining the student or parent borrower's authorization:

- Current-year or minor, prior-year charges for tuition and fees. [[§668.164\(d\)\(1\)\(i\)](#); [§668.164\(d\)\(2\)\(i\)](#)]
- Current-year or minor, prior-year charges for room and/or board, if the student contracts with the school for room and/or board. [[§668.164\(d\)\(1\)\(ii\)](#) and (iii); [§668.164\(d\)\(2\)\(i\)](#)]<sup>3</sup>

<sup>1</sup> Policy 1157 (Batch 163), approved December 17, 2009

<sup>2</sup> Policy 1157 (Batch 163), approved December 17, 2009

<sup>3</sup> Policy 1167 (Batch 165), approved February 18, 2010

After obtaining written authorization from the student, or the parent borrower in the case of a parent PLUS loan, a school may credit a student's account with Title IV funds to pay the following charges:

- Additional current-year charges incurred for educationally related activities other than tuition, fees, room, and board.  
[§668.164(d)(1)(iv)]
- Minor, prior-year charges incurred for educationally related activities other than tuition, fees, room, and board.  
[§668.164(d)(2)(ii)]

#### Limitation on Payment of Minor, Prior-Year Charges with Current-Year Title IV Funds

The sum of all minor, prior-year charges for tuition, fees, room, board, and—with the student's or parent borrower's authorization—educationally related activities that are paid with Title IV funds from the current year must not exceed \$200.

[§668.164(d)(2)]

For more information on required authorizations, see [Section 8.3](#).

#### Direct Delivery to a Borrower

The school may choose to use any of the following methods to pay the student or parent borrower directly:

- Issuing a [check](#) or other instrument to the [borrower](#) that requires endorsement or [certification](#). The school may issue a check by releasing or mailing it to the borrower or by notifying the student that it is available for immediate pickup at a specified location at the school. ~~If the school notifies the student that the check is available to pick up, and the student does not pick up the check within 21 days of the date of that notification, the school must immediately mail the check to the borrower, initiate an electronic funds transfer (EFT) of those funds to the borrower's bank account, or return the funds to the lender.~~  
[§668.164(c)(1)(ii)]
- Releasing or mailing to the borrower a check that has been provided by a lender.  
[§668.164(c)(2)(i)]

- Initiating an [electronic funds transfer \(EFT\)](#) to a bank account designated by the student or [parent borrower](#). The bank account must be insured by the [Federal Deposit Insurance Corporation \(FDIC\)](#) or the [National Credit Union Share Insurance Fund \(NCUSIF\)](#) ~~and may be a checking, savings, or similar account that underlies a stored-value card or other transaction device.~~

- A school may establish a policy that requires its students to provide bank account information or open an account at a bank of their choosing as long as this does not delay the disbursement of Title IV, HEA program funds. If the student does not comply with the policy, the school must disburse the funds to the student using another method.

- If a school opens a bank account on behalf of a student or parent, establishes a process that the student or parent follows to open a bank account, or similarly assists the student or parent in opening a bank account, a school must establish a process for the student or parent to follow to open the account or to similarly assist the student or parent in opening the account. A school must obtain affirmative consent from the student or parent and must follow the same guidelines as those established for a stored-value card.

[§668.164(c)(1)(iii), (2), and (3)(e)(2)]

- Issuing a stored-value card to the student, in which case the school must obtain authorization from the student or [parent borrower](#), as applicable. If a bank account underlies a stored-value card, the bank account must be insured by the FDIC or the NCUSIF, and the following conditions must be met:

[§668.164(c)(2) and (3)]

- The value of the card must be convertible to cash and may not be limited to specific vendors.
- The student must not incur any fees for using the card to withdraw the disbursement at that bank branch or at the ATMs of other banks.
- The student must have convenient access to a branch office of the bank, or an ATM of the bank or another bank. This branch must be located on the school's campus, school owned or operated facilities, or, immediately adjacent to and accessible from the campus.<sup>1</sup>

<sup>1</sup> Policy 1167 (Batch 165), approved February 18, 2010

- The student must not be charged by either the school or the affiliated bank for the issuing of a stored value card. The student may be charged for a replacement card.
- The bank must have an individual account for each student that is insured by the Federal Deposit Insurance Corporation (FDIC) or the National Credit Union Share Insurance Fund (NCUSIF).
- The school must not make any claims against the funds on the card without the written permission of the student, except to correct an error in transferring the funds to the bank under existing banking rules.
- The account must not be marketed or portrayed as a credit card account, nor be structured to be converted into a credit card at any time after it is issued. The issuing bank may not link the stored value card account to any other banking services it may offer, such as checking, savings, or credit card accounts.
- The school must inform the student of any terms and conditions associated with accepting and using the stored value card.
- The school must ensure that its stored value card process meets all regulatory time frames for delivery of loan proceeds or payment of Title IV credit balances (see Sections 8.7 and 8.8 for additional information).
- The student's access to the funds on the stored value card must not be contingent upon the student's continued enrollment, academic status, or financial standing with the school. [DCL GEN 05 16]

A school may credit a student's account with Title IV funds to satisfy the following charges without obtaining the student's or parent borrower's authorization:

- Current year or minor, prior year charges for tuition and fees. [§668.164(d)(1)(i); §668.164(d)(2)(i)]
- Current year or minor, prior year charges for room and/or board, if the student contracts with the school for room and/or board. [§668.164(d)(1)(ii) and (iii); §668.164(d)(2)(i)]

After obtaining written authorization from the student, or the parent borrower in the case of a parent PLUS loan, a school may credit a student's account with Title IV funds to pay the following charges:

- Additional current year charges incurred for educationally related activities other than tuition, fees, room, and board. [§668.164(d)(1)(iv)]
- Minor, prior year charges, incurred for educationally related activities other than tuition, fees, room, and board. [§668.164(d)(2)(ii)]

*Limitation on Payment of Minor, Prior Year Charges With Current Year Title IV Funds*

The sum of all minor, prior year charges for tuition, fees, room, board, and, with the student's or parent borrower's authorization, other educationally related activities that are paid with Title IV funds from the current year must not exceed \$200. [§668.164(d)(2)]

For more information on required authorizations, see Section 8.3.<sup>1</sup>

- Dispensing cash for which a school obtains a signed receipt from the student or parent borrower. [§668.164(c)(1)(iv)]

To help prevent fraud, the school is encouraged to verify the student's identity by requiring at least one form of identification with a photograph before delivering the loan proceeds directly to the student. See [Subsection 8.8.B](#) for information regarding the requirements for paying a borrower by issuing a check or stored-value card, or by EFT to a designated bank account. See [Subsection 8.9.A](#) for information regarding the return requirements when a direct delivery attempt fails.

<sup>1</sup> Policy 1167 (Batch 165), approved February 18, 2010

## 8.8 Managing Credit Balances

A credit balance is created when a school credits Title IV funds to a student's school account and the total amount of funds credited to the account exceeds the amount of tuition and fees, contracted room and board, and other authorized charges that the school assessed the student. See [Section 8.3](#) for information about required authorizations and [Subsection 8.7.I](#) for a description of what constitutes authorized charges. [[§668.164\(e\)](#)]

### 8.8.A Delivering Timeframes for Paying Credit Balances

Any time the delivery of Title IV funds creates a credit balance, the school must pay the final credit balance directly to the student or parent borrower as soon as possible, but no later than 14 days after one of the following:

- The first day of the [payment period](#) if the credit balance occurs on or before the first day of the payment period. [[§668.164\(e\)\(2\)](#)]
- The date the credit balance occurs if the credit balance occurs after the first day of the payment period. [[§668.164\(e\)\(1\)](#)]
- The date the school receives notice from the student or parent borrower to cancel his or her authorization to have the school manage the credit balance. [[§668.165\(b\)\(4\)\(iii\)](#)]

[Figure 8-5](#) illustrates the time frames related to the delivery of credit balances.

## 8.8.B How to Pay Credit Balances

A school may pay a credit balance to a student, or a parent in the case of a PLUS loan, by issuing a check to the student or parent. A school issues a check on the date that it does one of the following:

- Mails the check to the student or parent.
- Notifies the student that the check is available for immediate pickup and provides the specific location at the school that the student may pick up the check.

If the school notifies the student that the check is available to be picked up, and the student does not pick up the check within 21 days of the date of that notification, the school must immediately mail the check to the borrower, initiate an [electronic funds transfer \(EFT\)](#) of those funds to the borrower's bank account, or return the funds to the lender. [[§668.164\(c\)\(1\)\(ii\)](#)]

### Payment to a Borrower's Bank Account

A school may pay a credit balance by initiating an EFT to a bank account designated by the student or parent borrower. The bank account must be insured by the Federal Deposit Insurance Corporation (FDIC) or the National Credit Union Share Insurance Fund (NCUSIF) and may be a checking, savings, or similar account that underlies a stored-value card or other transaction device. A school may establish a policy that requires its borrowers to provide bank account information or open an account at a bank of their choosing as long as this does not delay the disbursement of Title IV program funds. If the borrower does not comply with the policy, the school must deliver the funds to the borrower using another method in accordance with required timeframes. [[§668.164\(c\)\(2\) and \(3\)](#)]

If a school opens a bank account on behalf of a borrower, establishes a process that the student or parent follows to open a bank account, or similarly assists the student or parent in opening the account, the school must establish a process for the student or parent to follow to open the account or to similarly assist the student or parent in opening the account. The school must:

- Obtain, in writing, affirmative consent from the student or parent. [[§668.164\(c\)\(3\)\(i\)](#)]<sup>1</sup>

<sup>1</sup> Policy 1166 (Batch 165), approved February 18, 2010

- Before the account is opened, inform the student or parent borrower of the terms and conditions associated with accepting and using the account.  
[§668.164(c)(3)(ii)]
- Not make any claims against the funds in the account without the written permission of the student or parent, except for correcting an error in transferring the funds in accordance with banking rules.  
[§668.164(c)(3)(iii)]
- Ensure the student or parent does not incur any cost in opening the account or initially receiving any type of debit card, stored value card, other type of automated teller machine (ATM) type card, or similar transaction device that is used to access the funds in that account.  
[§668.164(c)(3)(iv)]
- Ensure that the student has convenient access to a branch office of the bank or an ATM of the bank in which the account was opened (or an ATM of another bank), so that the student does not incur any cost in making cash withdrawals from that office or ATMs. This branch office or these ATMs must be located on the school's campus, in school-owned or operated facilities, or immediately adjacent to and accessible from the campus.  
[§668.164(c)(3)(v)]
- Ensure that the debit, stored-value, or ATM card, or other device can be widely used (e.g., the school may not limit the use of the card or device to particular vendors).  
[§668.164(c)(3)(vi)]
- Not market or portray the account, card, or device, as a credit card or credit instrument, or subsequently convert the account, card, or device to a credit card or credit instrument.  
[§668.164(c)(3)(vii)]
- The value of the card must be convertible to cash and may not be limited to the specific vendors.
- The student must not incur any fees for using the card to withdraw the disbursement at that bank or at the ATMs of the bank.
- The student must not be charged by either the school or affiliated bank for the issuing of a stored-value card. The student may be charged for a replacement card.
- The bank must have an individual account for each student that is insured by the FDIC or the NCUSIF.
- The school must not make any claims against the funds on the card without the written permission of the student, except to correct an error in transferring the funds to the bank under existing banking rules.
- The account must not be marketed or portrayed as a credit card account, nor be structured to be converted into a credit card at any time after it is issued. The issuing bank may not link the stored-value card account to any other banking services it may offer, such as checking, savings, or credit card accounts.
- The school must inform the student of any terms and conditions associated with accepting and using the stored-value card.
- The school must ensure that its stored-value card process meets all regulatory time frames for delivery of loan proceeds or payment of Title IV credit balance (see Subsection 8.8.C).
- The student's access to the funds on the stored-value card must not be contingent upon the student's continued enrollment, academic status, or financial standing with the school.  
[DCL GEN-05-16]<sup>1</sup>

#### **Payment through a Stored-Value Card**

A school that pays a credit balance to a student through a school-issued stored-value card over which the school exercises control is holding the student's Title IV credit balance and must comply with all of the conditions for holding a credit balance (see Subsection 8.8.C). If a school issues a stored-value card to the student, the school must obtain authorization from the student or parent borrower, as applicable, and the following conditions must be met:  
[§668.164(c)(3)]

<sup>1</sup> Policy 1166 (Batch 165), approved February 18, 2010

## 8.8.B Holding Credit Balances

### 8.8.C Holding Credit Balances<sup>1</sup>

Unless prohibited by the Department under reimbursement payment method provisions, a school may hold a borrower's Stafford or PLUS [loan proceeds](#) as a fiduciary for the benefit of the student, the [guarantor](#), and the Department, if those proceeds represent a credit balance that would otherwise be paid directly to the student or parent borrower. The borrower must authorize the school to retain the credit balance to assist the student in managing the funds (see [Section 8.3](#)). If the school receives written authorization to hold a credit balance for the student, the school must perform the following activities:

- Identify the student and the amount of funds the school holds for that student in a subsidiary ledger account designated for that purpose.  
[§668.165(b)(5)(i)]
- Maintain at all times cash in its bank account in an amount equal at least to the amount of the funds the school holds for the student.  
[§668.165(b)(5)(ii)]
- Advise the borrower that he or she may cancel or modify this authorization at any time (see [Section 8.3](#)).  
[§668.165(b)(2)(ii)]
- Pay any remaining loan balance to the student or [parent borrower](#) no later than the end of the [loan period](#).  
[§668.165(b)(5)(iii)]

The school may retain any [interest](#) earned on the student's funds.

## 8.8.C Treatment of a Title IV Credit Balance When a Student Withdraws

### 8.8.D Treatment of a Title IV Credit Balance When a Student Withdraws<sup>2</sup>

If a student withdraws and has a Title IV credit balance on his or her account, the school must:

- Complete a [return of Title IV funds](#) calculation before delivering any portion of the credit balance to the student or returning any portion of the credit balance to the Title IV student aid programs. The school must hold the funds even if it results in the school not being in compliance with the 14-day payment requirement discussed in [Subsection 8.8.A](#). In this case, the school does not need the student's or parent's authorization to hold the Title IV credit balance beyond the original 14-day period.
- Include any existing Title IV credit balance for the period as disbursed aid in the return of Title IV funds calculation.
- Apply all other required [refund](#) policies (e.g., state, [accrediting agency](#), institutional), to determine if a new or larger credit balance exists on the student account.

Within 14 days of the date that the school performs the return of Title IV funds calculation, the school must pay any remaining Title IV credit balance. The school must first allocate the Title IV credit balance to repay any grant overpayment owed by the student as a result of the current withdrawal. If there is no grant overpayment owed or if an additional credit balance exists on the account after the grant overpayment is repaid, it must be paid in one or more of the following ways:

- In accordance with cash management regulations, the school may use the credit balance to pay authorized charges at the school (including previously paid charges that are now unpaid due to a return of Title IV funds by the school).

<sup>1</sup> Policy 1166 (Batch 165), approved February 18, 2010

<sup>2</sup> Policy 1166 (Batch 165), approved February 18, 2010

- With the student’s authorization, the school may use the credit balance to reduce the student’s Title IV loan debt (not limited to loan debt incurred for the [payment period](#) or [period of enrollment](#) during which the student withdrew).
- The school may deliver the credit balance to the student, or the parent in the case of a [parent PLUS loan](#).

See [Section H.4](#) for information about a statutory or regulatory waiver authorized by the [HEROES Act](#) that may impact these requirements.

If the school cannot locate the student or parent to whom a Title IV credit balance is due, the school must return the credit balance to the Title IV programs. In this case, there is no specific order of return to the Title IV programs, but schools are encouraged to make determinations that are in the best interest of the individual student. [\[DCL GEN-04-03\]](#)

### **8.8.D** **Treatment of a Title IV Credit Balance When a Student Dies**

### **8.8.E** **Treatment of a Title IV Credit Balance When a Student Dies<sup>1</sup>**

If a student dies and there is a Title IV credit balance on his or her account after the school completes the [return of Title IV funds](#) calculation—and the credit balance resulted from funds delivered to the student before his or her death—the school must eliminate the credit balance in any of the following ways:

- Pay authorized school charges including those charges that were previously paid but are now unpaid because the school was required to return funds as a result of the return of Title IV funds calculation.
- Repay any Title IV grant overpayments that the student owes for previous withdrawals (the school should not report a grant overpayment resulting from the return of Title IV funds calculation that was completed as a result of the student’s death).

- Return any remaining credit balance to the Title IV programs. [\[08-09 FSA Handbook, Volume 5, Chapter 2, p. 5-93\]](#)

## **8.9** **Return of Loan Funds**

[Loan proceeds](#) must be returned to the [lender](#) if the school is unable to deliver them or if the school is unable to document that the student attended classes during the [payment period](#) for which the loan is intended. [\[§682.604\(d\)\(3\)\(ii\); §668.167\(b\)\]](#)

If the student fails to register, enroll, maintain at least half-time enrollment, or maintain [satisfactory academic progress \(SAP\)](#), or if the student is on an unapproved [leave of absence](#) or fails to return from an approved leave of absence, the school must meet the deadlines required for returning the [loan proceeds](#) to the [lender](#). [\[§668.22\(b\)\(1\); §682.604\(d\)\(3\)\]](#)

If a school delivers the loan proceeds on behalf of a student who fails to complete the [loan period](#), the school must determine if funds must be returned to the lender. See [Section 9.5](#) for more information on requirements regarding the return of Title IV aid. [\[§668.22\(a\)\(1\)\]](#)

If either the school or the borrower returns the proceeds of a loan [disbursement](#), the school may request that the lender make subsequent disbursements of the loan, unless the school or the lender has information that the student is no longer [enrolled](#). [\[§682.207\(b\)\(1\)\(vii\)\]](#)

[Figure 8-6](#) provides situations in which loan funds may be delivered or must be returned, and applicable time frames.

### **8.9.A** **Return of Undelivered Loan Funds**

If the [school](#) is unable to deliver loan proceeds to the borrower within the time frames specified in [Subsection 8.7.A](#), the school must return the loan proceeds to the [lender](#) promptly, but no later than 10 business days after the last day of the initial or conditional period, as applicable. This period is referred to as the return period. For more information on the initial and conditional periods for delivery of proceeds, see [Subsection 8.7.A](#). [\[§668.167\(b\)\(2\)\]](#)

<sup>1</sup> Policy 1166 (Batch 165), approved February 18, 2010